

**AGENDA**  
**EXECUTIVE FINANCE COMMITTEE**

December 11, 2008 at 1:30 P.M.

**Location:** Treasury Conference Room, KC Admin. Bldg., Room 610 (6<sup>th</sup> Floor)

***Committee Members: Councilmember Larry Phillips, Chair; Bob Cowan, Director OMB; Ken Guy, Director FBOD;  
Jim Buck, County Administrative Officer***

***Staff: Scott Matheson, Interim Treasury Operations Manager; Mike Smith, Investment Officer;  
Dave Turley, Financial Accounting Supervisor***

**AGENDA ITEMS**

1. **Action:** Approval of Minutes of the October 23, 2008 Executive Finance Committee meeting. (page 2)
2. **Action:** Approval of the interfund-borrowing request from the Wastewater Treatment Division (WTD) for ARMS fund 4611. The funds will be used to repay the 2006 Variable Rate Bonds. WTD is requesting to borrow up to \$100 million that will be repaid over a 5 year period ending 12/31/13. (pages 3-8)  
*Tim Aratani, Manager, Finance and Administrative Services*
3. **Action:** Request for approval of the King County Energy Price Risk Program. (pages 9-19)  
*Kevin Desmond, General Manager Metro Transit. Gary Prince, Project Manager*
4. **Action:** Approve a 1-month extension of the existing interfund loan to Printing/Graphics Fund (ARMS fund 5600) from 12/31/08 to 1/31/09. This will allow time for a briefing to be prepared for the January 2009 EFC meeting.
5. **Action:** Approve a 3-month extension of the existing interfund loan for the Building, Repair, & Replacement Fund (ARMS fund 3951) for the purchase of the elections facility. Moving the repayment date from 12/31/08 to 3/31/09 will allow time for bonds to be issued.
6. **Briefing:** Update on the status of Victoria Finance commercial paper.  
*Ken Guy, Finance Director*
7. **Briefing:** Reminder: 1<sup>st</sup> Annual King County Investment Pool participants meeting to be held December 15, 2008  
*Ken Guy, Finance Director*
8. **Briefing:** October 2008 Investment Summary
  - Investment Purchase Summary (page 20)
  - Reverse Repo Analysis and Policy Compliance (page 21)
  - King County Investment Pool Summary (page 22)
  - Issuer Diversification and Credit Exposure Report (page 23)
  - Investment Performance Review & Impaired Pool Summary (pages 24-30)
  - Interest Rate Summary (page 31)*Mike Smith, Investment Officer*
9. **Action:** Committee's direction for investment of idle cash balances of specific County funds not needed for immediate expenditure.  
  
**Staff Recommendation:** Direct the Treasury to maintain the maximum average duration of the core portfolio at the 1.25 to 1.8 year range (no change from last meeting) and the maximum average maturity for the liquidity portfolio at 30 to 100 days (no change from last meeting).  
*Mike Smith, Investment Officer*
10. **Briefing:** Interfund Borrowing for October 2008
  - Automated Lending & Borrowing. County Tier 2 Funds – Interest on Interfund Loans (page 32)
  - Pooled Tier 1 County Funds with Negative Cash Balances (pages 33-34)
  - Excluded County Funds with Negative Balances - Tier 2 Funds Not Paying Interest (page 35)*Dave Turley, Financial Accounting Supervisor*  
  
  - Interfund Loans Among Non-County Funds (pages 36-37)
  - Interfund Borrowings – EFC Approved Loans (page 38)*Mike Smith, Investment Officer*

**OTHER BUSINESS**

- Proposed EFC meeting schedule for 2009: The fourth Thursday of every month at 1:30 pm, except for November/December 2009 meetings which are typically combined because of the holidays.

**ADJOURNMENT**

**MINUTES**  
**EXECUTIVE FINANCE COMMITTEE**  
**October 23, 2008**

The Executive Finance Committee (EFC) Meeting was held October 23, 2008 at 1:30 p.m.

**Members Present**

Bob Cowan  
Ken Guy  
Jim Buck

**Others Present**

Kevin Fuhrer, Covington WD  
Jan Stafford, Covington WD  
Gwenn Maxfield, Covington WD  
Margaret Raihl, HMC  
Tzeghe Makonnen, HMC

**Others Present (Continued)**

Linda Glenicki, KC Library  
David Lawson, South KC FD  
William Nogle  
Pete Anthony  
Dave Turley

**Others Present (Continued)**

Hall Walker  
Scott Matheson  
Mike Smith  
Peggy Pahl

**Members Absent**

Larry Phillips

**ACTION ITEMS**

1. **Minutes** – The Committee approved the Minutes of the September 25, 2008 EFC meeting.
2. **Investment Direction** – The Committee approved the Treasury recommendation to maintain the maximum average duration of the core portfolio at the 1.25 to 1.8 year range and maintain the maximum average maturity for the liquidity portfolio at 30 to 100 days.

**BRIEFINGS**

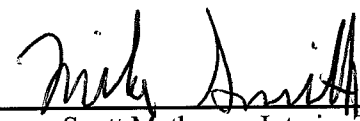
1. **Update on Impaired Investments** – The Committee was updated on the status of the Victoria Finance commercial paper, and informed that the restructuring process for Victoria appears to be slightly different than the restructurings for the three earlier impaired commercial paper programs. Stage 1 will be a foreclosure sale to extinguish the rights of junior credits. A cash distribution will then be made 9 to 10 days after the signing of Amendment #5. Stage 2 would contain possibly 3 options: cash, zero coupon notes, or a rated pass-through note. The timing of stage 2 is not yet known with certainty. Cairn Capital has begun a review of Victoria. Cairn's initial analysis has shown that Victoria has less exposure to sub-prime assets and is more diversified than the programs that have already been restructured. Current market prices for Victoria are in the mid 40s, which is near the low end of Cairn's valuation range of 48 to 86.
3. **Update on Action Plan, Motion No. 12796** – The Committee was informed that the Interbranch Workgroup's report was presented to the County Council. The main conclusions of the report were that the pool should continue to be operated as a hybrid pool, it should continue to be managed by County staff, and that an advisory committee should be established that includes pool participants. Resources for the pool will be addressed in the County's budget process, and the County Council could approve additional resources for pool operations.
4. **Investment Policy** – The Committee was informed that the PFM would be assisting in the review of the pool's investment policy. The goal is bring an updated policy that incorporates industry best practices to the Committee in the near future.
5. **Investment Review for September 2008** – The Committee was provided a review of investment performance, activity, and the distribution of investment holdings by maturity, security type, credit rating, and issuer. Analysis of actual versus budgeted amounts for Pool earnings and fees were reviewed. Reverse repurchase activity for the month was also reviewed, and the Committee was briefed on the current interest rate and economic environment.

**EXECUTIVE SESSION**

The meeting was recessed into Executive Session at 3:10 p.m. to discuss with legal counsel litigation or potential litigation to which the County is or is likely to become a party when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the County. The meeting reconvened at 3:21 p.m.

**OTHER BUSINESS**

The next meeting of the EFC was scheduled for December 11, 2008 at 1:30 pm.

  
\_\_\_\_\_  
for Scott Matheson, Interim Treasury Manager

**King County****Wastewater Treatment Division**

Department of Natural Resources and Parks

King Street Center

201 South Jackson Street

Seattle, WA 98104-3855

December 5, 2008

TO: The Executive Finance Committee

VIA: Christie True, Division Director, Wastewater Treatment Division *LaFACT*FM: Tim Aratani, Manager, Finance and Administrative Services, Wastewater Treatment Division *Ja*RE: Borrowing Request, 2006 Variable Rate Bonds

The purpose of this memo is to request approval from the Executive Finance Committee to replace the Wastewater Treatment Division's (WTD) 2006 variable debt bond issue with a loan from the King County Investment Pool. WTD would repay the principal on the \$100 million dollar loan over a 5 year term.

National credit agencies downgraded the bond rating for MBIA, the bond insurer for the 2006 bonds, in June of 2008. Most of these bonds have since been sold back to KBC Bank (KBC), liquidity provider for the 2006 bonds. However, KBC will require an accelerated repayment of principal beginning in early 2009 if the bonds are not repaid.

The County had been working with KBC to replace the 2006 bonds with new variable debt bond issue, but this effort concluded unsuccessfully after the Standard & Poor's placement of KBC on a credit watch on November 3, 2008. (See attached letter dated November 19, 2008.)

The King County investment pool offers a critical advantage over accepting the accelerated repayment of the 2006 bonds. Repayment to KBC would have a significant adverse impact on the sewer rates because of the 1.15 coverage ratio on total debt service payments required by WTD's revenue bond covenants. The coverage requirement would not apply to repayment to the Investment Pool because the transaction would be considered an operating loan internal to King County. Thus, there would be no adverse rate impact.

The Executive Finance Committee  
December 5, 2008  
Page 2

Because variable debt bond issues are categorized as working capital, the repayment would need to be funded from WTD operating revenues instead of capital funding sources such as long term revenue bonds. Due to the revenue bond coverage requirement, surplus revenues are available for repayment of the \$100 million dollar loan. WTD's financial plan forecasts that transfers of surplus revenues to the capital fund will be \$39 to \$50 million annually during 2009-2013. These funds can be used for repayment of the investment pool loan.

Thank you for your consideration of this request. If you have any questions, please contact Tim Aratani at 206-263-6565.

Attachment

cc: Theresa Jennings, Director, Department of Natural Resources and Parks (DNRP)  
Christie True, Division Director, Wastewater Treatment Division, DNRP

November 19, 2008

The Honorable Julia Patterson  
Title, King County Council  
Room 1200  
COURTHOUSE

Dear Councilmember Patterson:

Due to recently announced credit concerns involving KBC Bank, an international bank based in Belgium, we are recommending the cancellation of proposed legislation involving the refinancing of certain variable rate debt for the Wastewater Treatment Division (WTD).

The proposed legislation would have issued new 2008 variable rate sewer demand bonds (the "2008 bonds") in order to refund \$100 million in outstanding 2006 variable rate sewer demand bonds (the "2006 bonds"). In lieu of this refinancing, we are proposing that the outstanding 2006 bonds be redeemed utilizing an interfund loan from the King County investment pool and that new variable rate financing be considered again in 2009 and/or 2010.

This letter provides background information regarding the original plan for refinancing and KBC's unexpected credit problems. The letter also highlights other refinancing options and the reasons for proposing an interfund loan instead of issuing new variable rate debt backed by KBC Bank.

### **Background**

In 2006, WTD issued \$100 million in variable rate sewer revenue bonds which were insured by MBIA, a bond insurance company. KBC Bank was the liquidity provider for these bonds, with the role of temporarily buying back any bonds that were not successfully remarketed on a weekly basis. Over the past year, MBIA's exposure to the sub-prime mortgage market caused the national credit rating agencies to downgrade MBIA's bond rating. This created a situation where it became very difficult to re-market the bonds to investors except at very high interest rates, i.e., 8.5 percent.

The Honorable Julia Patterson  
November 19, 2008  
Page 2

Most of the 2006 bonds have since been sold back to KBC Bank and the county has been paying interest in the range of 4 to 6 percent over the last several months. The problem, however, is that KBC Bank does not plan to hold the bonds to their maturity. It is therefore critically important to redeem the 2006 bonds by year-end 2008 and avoid accelerated principal payments beginning in 2009.

For the past four months, representatives from the county and KBC Bank have been diligently working on a refinancing plan that would have converted the 2006 bonds backed by MBIA into new 2008 bonds backed by KBC. At the time the refinancing plan was developed, KBC had a strong credit rating and a long-standing conservative reputation. KBC's historically strong credit rating and their past relationship with the county as a liquidity provider for the 2006 bonds, made them a good choice for a business partner on the proposed refinancing.

However, in late October and early November, two of the three credit rating agencies unexpectedly reported concerns about KBC's credit rating outlook. Standard and Poor's cited concerns about KBC's unanticipated write-downs on complex loans and ongoing problems with KBC-owned banking subsidiaries. On November 3, 2008 Standard & Poor's formally took action to place 53 KBC-backed bond issues on a credit watch with "negative implications." The 2006 bonds were included on this list.

With the public report of KBC's credit problems, Goldman Sachs, one of two proposed remarketing agents for the 2008 bonds, decided to back out of the deal because they made a corporate decision to limit their exposure to KBC Bank. Although county staff made tentative plans to replace Goldman Sachs with Merrill Lynch as a remarketing agent, there was a collective decision to place the refinancing plan on hold as we addressed two fundamental questions: *Should the county remain as a business partner with KBC Bank and proceed with the refinancing? What other refinancing options would be available to the county before year-end?*

#### **Plan to Replace KBC Bank Proposal with Interfund Loan**

We concluded that the county should not pursue the refinancing because of risks and uncertainties regarding KBC that remain outside of the county's control. The original concept of having KBC-backed bonds was that the KBC name would attract investors and add value to the county in terms of achieving low variable interest rates. Although there is still a functioning market for KBC bonds with variable interest rates in the 3 percent range, there is the possibility that a worsening credit problem for KBC could result in higher than expected interest rates and bonds that become difficult to remarket. Under such a scenario, the county would have the added costs of planning another refinancing and essentially have to absorb, as a sunk cost, the \$500,000 in financing fees required to implement the KBC-backed bond issue.

The Honorable Julia Patterson  
November 19, 2008  
Page 3

We recommend that the county pursue a refinancing option that retains county control and is the most conservative from an overall risk perspective. We reviewed several conservative alternatives for redeeming the 2006 variable rate bonds including: (1) negotiating a new variable rate deal with another bank with a stronger credit rating than KBC; (2) issuing bond anticipation notes as a temporary measure until a decision is made on permanent financing; (3) issuing new long-term fixed rate bonds; or (4) utilizing an interfund loan from the King County investment pool as the county reviews when to re-enter the variable rate market to finance WTD debt.

While each of the four options have merit, the first three options require significant lead time for preparing documents and could not be implemented in time to avoid WTD having to pay the first accelerated principal payment on the 2006 bonds of more than \$3,000,000 in January 2009. Therefore, the only feasible option for refinancing by year-end is an interfund loan, which would be reviewed and adopted by the county's Executive Finance Committee in early December.

The funding source for the loan will be surplus "debt coverage" revenues that are generated each year by the Wastewater utility according to bond covenants. Specifically, WTD must set rates at a level that generate revenue which is at least 1.15 times the amount required to pay annual debt service. This extra 15 percent revenue cushion is forecasted to be \$39 to \$50 million annually from 2009 to 2013. These surplus revenues have traditionally been transferred to the capital fund to finance the cost of pay-as-you-go capital projects. The revenues may also be used for other purposes including the payment of interfund loans. Based on forecasted revenues, the loan would be paid off in three to five years.

Given that the surplus revenues will not be transferred to the capital fund in 2009, WTD will need to make up for this difference by incrementally increasing new debt issuance in 2009 and in 2010. Although the 2008 bonds refunding is cancelled, WTD still plans to re-enter the variable rate financing market at some later date in 2009 or 2010 in order to allow the utility to return to its planned level of variable rate debt, equal to approximately 15% of its fixed rate debt. This will help ensure that the impact on sewer rates is negligible over the term of the loan.

The interfund loan approach for refinancing is conservative, maintains county control and can be implemented quickly. There are also two important consequences to mention. First, the use of interfund loans is generally considered a "safety net" form of financing when other more traditional bond financing options are not readily available. Because we are choosing to use the safety net of the investment pool now, there will be reduced flexibility to tap into this scarce resource in the future. That being said, a \$100 million interfund loan represents a very small fraction of the \$4 billion investment pool and we are confident that this action will not create any short or long term liquidity problems for the county or its investment pool members.

The Honorable Julia Patterson  
November 19, 2008  
Page 4

Second, when bonds are redeemed via governmental interfund loans, federal tax laws state that the loan cannot be repaid with proceeds from forthcoming tax-exempt bond issues. In other words, the county cannot simply issue new tax-exempt bonds next year for the sole purpose of paying off the loan. The tax-exempt status is removed because a loan repayment from one government fund to another is not within the definition of a "public purpose" as defined in the law. While the county would still retain the option of issuing more expensive taxable bonds to repay the loan, we are proposing the lower cost alternative of using surplus operating revenues within the Wastewater utility as the funding source.

As you can see from the aforementioned discussion, this has been a very difficult choice for the county as we respond to unexpected and unfortunate circumstances regarding our original plans for refinancing the 2006 bonds. We believe, however, that the interfund loan proposal is the best and most prudent choice to avoid paying substantially higher debt service costs in the future. This action ultimately mitigates risk and minimizes adverse impacts to WTD's capital financing plans and sewer ratepayers.

If you have any questions about this planned course of action, please contact Ken Guy, Director of Finance at 206-263-9254 or Christie True, Director of WTD at 206-684-1236.

Sincerely,

Ron Sims  
King County Executive

cc: King County Councilmembers  
    ATTN: Ross Baker, Chief of Staff  
          Anne Noris, Clerk of the Council  
          Frank Abe, Communications Director  
          Saroja Reddy, Policy Staff Director  
Bob Cowan, Office of Management & Budget Director, Executive Office  
James J. Buck, County Administrative Officer, Department of Executive Services  
          (DES)  
Theresa Jennings, Director, Department of Natural Resources & Parks, DNRP  
Christie True, Director, Wastewater Treatment Division, DNRP  
Ken Guy, Director, Finance & Business Operations Division (FBOD), DES  
Nigel Lewis, Senior Debt Analyst, Treasury Operations Section, FBOD, DES





## **King County**

Department of Transportation  
Metro Transit Division  
General Manager's Office  
201 S. Jackson Street  
KSC-TR-0415  
Seattle, WA 98104-3856

December 8, 2008

TO: King County Executive Finance Committee Members  
FM: Kevin Desmond, General Manager, Metro Transit Division, Department of Transportation  
RE: Energy Price Risk Program

Attached to this document is a description of the Energy Price Risk Management Program being proposed by King County Metro Transit. The Energy Price Risk Management implements the legislation passed by the State Legislature giving Metro authority to purchase fuel futures, options, and other tools to mitigate risk in the fuel markets.

During the past year, fuel prices have reached historic highs and lows. Metro Transit has developed a program which will mitigate market swings and reduce the price volatility which it faces. This will allow Metro to provide consistent ongoing service to the public and meet budget targets laid out by the King County Council.

As described, this program will be jointly administered by Metro Transit and the Finance Division.

Also attached is a policy document similar to the existing investment policies used by King County.

I am requesting adoption of these documents by the Executive Financial Committee (EFC) and approval to implement this program immediately following adoption by the EFC.

Enclosures

cc: Harold S. Taniguchi, Director, Department of Transportation

## King County Energy Price Risk Program Description

King County Metro Transit is one of the largest diesel consumers in the State of Washington consuming over 12 million gallons annually (including Sound Transit). Metro Transit provides services to over 100 million riders annually and operates a fleet of over 1400 buses, not including over 1000 vanpool vehicles.

Fuel price volatility has had a significant impact on the ability of Metro Transit to provide consistent long-term bus service. During the summer of 2008, fuel prices exceeded \$4 per gallon while during the late fall of 2008, prices fell below \$1.50 per gallon. With high fuel price volatility has come greater budget uncertainty. Uncertainty requires increases resources to be spent on budget, capital, and operational planning. It also requires Metro to hold financial reserves to cover potential fuel liabilities. Exposure to fuel price uncertainty – risk – can be avoided just like insurance is used to avoid other types of risk exposure.

The objective method for measuring risk is CFaR – Cash Flow at Risk<sup>1</sup>. This metric is equivalent to one standard deviation of expected price movement in cents per gallon (derived from market information) multiplied by the number of gallons of expected consumption. For King County using roughly 12 million gallons of fuel annually, and with a standard deviation of diesel fuel price movement of \$1.27 for calendar 2009, KCDOT's Cash Flow at Risk with no energy forward pricing is \$1.27 per gallon times 12 million gallons or \$15.24 million. This is a standardized quantification of the additional cost that is avoided by forward pricing given current market conditions.

King County is currently managing its risk by purchasing fixed price future fuel contracts from Associated Petroleum, its fuel vendor. There are several reasons King County seeks to discontinue this arrangement.

First, the future price provided by APP is significantly higher than that King County could receive from the direct purchase of NYMEX contracts (issues of basis risk will be discussed below). Second, pricing from APP is also not transparent; i.e. the price received by King County is not published or publicly available. Transactions are not regulated or competitively determined. Finally, these forward pricing contracts are a function of the fuel supply contract. Metro Transit does not have the ability to apply these contracts beyond the term of the fuel supply contract.

The proposed policy is to use NYMEX futures and options contracts<sup>2</sup> to manage King County's energy price risk.

---

<sup>1</sup> This is a variant of value at risk. An explanation of VAR is at [http://en.wikipedia.org/wiki/Value\\_at\\_risk](http://en.wikipedia.org/wiki/Value_at_risk)

<sup>2</sup> NYMEX trades both futures and option contracts and are interchangeably referred to in this description. Both are liquid instruments with published prices. Options differ from futures in that they do not require taking delivery of the fuel whereas a futures contract is tied to physical fuel. Options can be exercised at the discretion of the purchaser and have similar expiration periods.

Futures are an attractive alternative to fixed price contracts through APP and to doing no risk management at all. Swaps<sup>3</sup> and futures are similar in many ways. Futures represent the “wholesale” solution where swaps represent the “retail” solution. KCDOT has the size to economically participate in the futures market. Futures are fungible and are able to be offset and cancelled easily. Futures do not involve credit risk since they are settled daily. Futures markets are the central pricing mechanisms for petroleum products and are competitive by definition. It is the primary market in which all market participants manage risk and discover price. Futures pricing is transparent and the futures markets are federally regulated. Options can also be pursued as another method of achieving price certainty while still capturing downward price movement.

Because KCDOT would be approaching the futures market directly, any costs due to the swap dealer/counterparty would be avoided. Transaction costs are very low. There is no borrowing or lending with financial counterparties due to market movement with futures as positions are settled daily marked-to-market (King County would cover daily movements). Futures and options offer forward pricing as far into the future as needed. Internal capital is needed for futures as opposed to using external capital with APP and swaps. Internal accounting and program operation will require more attention with futures and options than with swaps or APP.

### **Risk Issues**

Hedges work because cash prices paid by King County and heating oil futures prices are highly correlated, i.e. they tend to move in tandem. Even though the difference between the cash and futures prices (the “basis”) may widen or narrow as cash and futures prices fluctuate, the risk of an adverse change in this relationship (known as basis risk) is generally much less than the risk of going unhedged.

Using NYMEX Heating Oil #2 futures or options poses several types of risk to King County. These include:

**Basis risk:** The risk that the Heating Oil futures price, due to a number of different factors, may not always move in the same direction to the same degree and at the same time as the cash price paid by King County. While the hedge is less than perfect, NYMEX Heating Oil futures prices explain 97% of the variance in the price of diesel fuel consumed by King County. There have been periods when these two prices have deviated significantly but over a long period the relationship has been quite stable. Over the course of a fiscal year this differential typically averages out to a number that is in line with expectations.

There is no way to manage basis risk. It is simply a small portion of price risk that King County will continue to bear because there is no efficient, cost effective way to manage this risk.

**Cash Flow Risk:** The use of futures and options contracts requires receiving or paying cash on a daily basis depending on whether the market moved up or down since the previous day.

---

<sup>3</sup> These have been used by other transit agencies in both Washington and around the country.

The amount of these cash flows is equal to the unrealized gains/losses on the futures positions in the account. In other words, unrealized gains will result in cash coming into the futures account, and unrealized losses will result in cash going out of the account. The nature of the cash flow risk is that if market prices decline subsequent to entering a futures contract, King County will need to fund all unrealized losses in cash on a real time basis. For example, if King County had 15,000,000 gallons in futures contracts and prices declined by \$1.00, King County would need to deposit \$15,000,000 into the account. If prices then returned to their original level, the \$15,000,000 would reappear in the account and could be withdrawn.

**Counterparty Creditworthiness:** The Clearinghouse of the exchange serves as the counterparty to all market participants. Because of the system mentioned above where all unrealized gains and losses are settled in cash on a daily basis, there is virtually no risk of default on a futures contract. Due to the structure of the market mentioned above, all market participants are borrowers or creditors for a maximum period of 24 hours, at which time all market participants are made whole at market prices. Since all market participants are required to post an initial good faith deposit to guarantee their financial integrity, and exchange member firms are highly regulated and have strict capital requirements and are also required to keep customer funds segregated from company funds, the risk of default or creditworthiness simply does not exist. There has never been a financial default on a futures contract. Of course, it is possible but highly improbably that the NYMEX could fail to fulfill its obligations but this would be accompanied by an absolute collapse of the US financial system.

**Credit Risk:** There is risk both that the NYMEX would fail to settle a transaction (see above) but that the Merchant employed by the County would fail to deliver the funds to the County. The County is protected via the insurance requirement provided as part of the contract; in this case the requirement is \$100 million. Unlike a securities broker/dealer, Futures Commission Merchants (FCM's) are required by law to keep all customer funds segregated such that if the firm fails, the customer funds are not touched.

**Margin Risks:** King County will be required to post an initial margin as well as a maintenance margin with the commodities merchant. Daily variances in cash balances due to the positions being marked to fluctuating market prices as is mentioned above will cause King County to receive margin calls above the balance held with the merchant. Should King County fail to post additional margin, positions held by King County could be liquidated by the Merchant at a potential loss or gain to the County. The loss of these positions could adversely affect Metro Transit's ability to plan future fuel prices.

### **Program Operation**

The program will be operated with participation by King County Metro Transit and the Finance Division.

Metro Transit, in conjunction with the King County Budget Office, will develop budget forecasts for the price of fuel. These forecasts will be adopted by the King County Council.

Metro Transit will use fuel futures and options to manage to the budget level set by the King County Council. In general, a dollar cost averaging approach will be used in the purchase of futures and options with the objective of risk reduction, reduced budget uncertainty, and least cost.

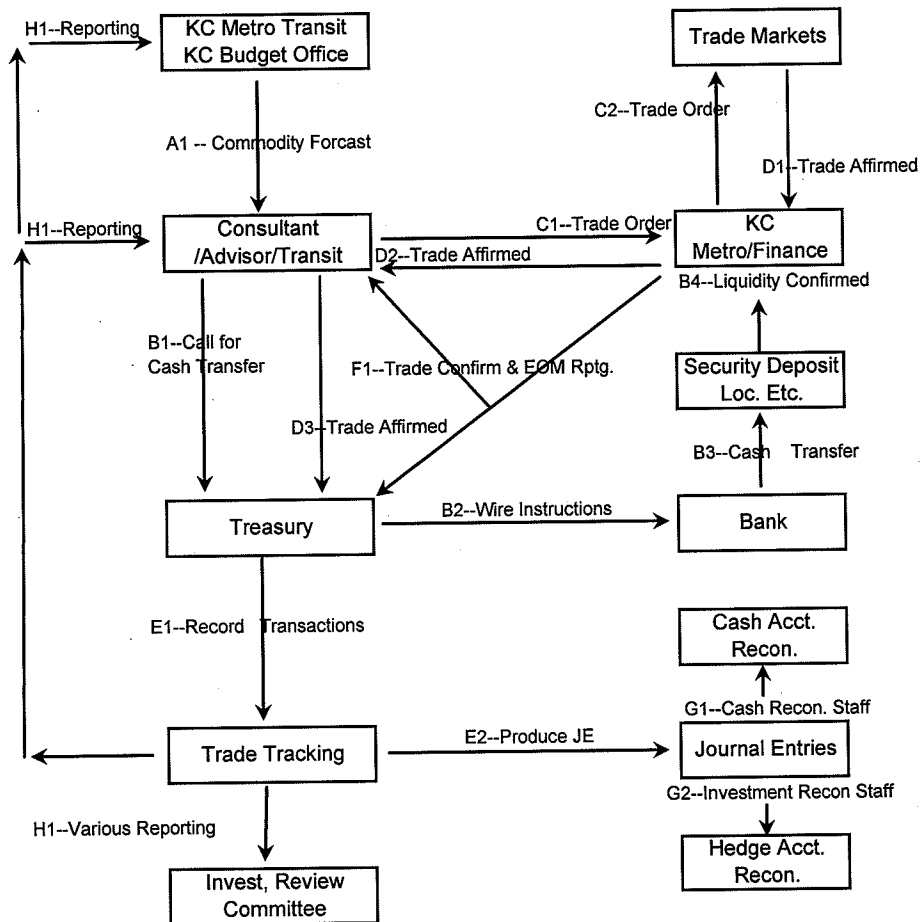
The implementation of the energy price risk management program will be managed by Metro Transit with the potential assistance of consultants. Metro Transit will place futures and options purchase and sale orders with the Finance Division who will execute these orders.

Transactions involving margin accounts held at the brokerage firm will be managed by the Finance Division. This will involve both the initial deposit as well as daily mark to market fluctuations.

Internal accounting and controls will be managed by the Finance Division. The Finance Division, in conjunction with the commodities broker, will develop reporting structures for the portfolio managed by the Finance Division. Metro Transit will provide weekly reports to management on the activities of the program.

Other elements of the program flow are described in the attached diagram.

King County Metro Transit and KC Finance  
Energy Forward Pricing Mechanisms (EFPMs)  
Purchase Cycle



# Energy Price Risk Management Statement of Policy & Strategy King County

## 1. Mission Statement:

King County will establish and maintain an energy price risk management program that will:

- seek to decrease the volatility of fuel cost;
- seek to increase the likelihood that actual net fuel cost will remain below the budgeted cost;
- seek to increase the certainty of future fuel cost;
- seek to manage year-over-year changes in fuel cost.

The purpose of King County's energy price risk management program is not to make or lose money but to manage risk. This program is not an investment and should not be construed as such. Cash flows produced or consumed by the Program will be considered as an element of fuel cost.

## 2. Prudence

The standard of prudence used will be the same as the Investment Policies used by the King County Investment Pool.

## 3. Program Infrastructure:

- **Instruments** – King County will use NYMEX Heating Oil #2 and Unleaded Gasoline futures and options contracts to manage its fuel risk. These contracts are easily accessible, flexible in use, and represent the most cost effective method of managing energy price risk. Other indices/instruments may be used with the permission of the Executive Finance Committee if these indices better match the commodities consumed by Metro Transit.
- **Maximum Pre-purchase Ratio** – King County's fuel consumption is highly predictable and without significant variability over time. Given this predictability, the maximum fixed price ratio will be 90% of forecasted consumption. This means that the Program will not purchase futures on more than 90% of King County's forecasted needs within any fiscal year whether by futures contract or other method.
- **Maximum Maturity** -- To allow the establishment of cost certainty in current and future budget periods, the maximum maturity of any futures or options contracts entered into in conjunction with the Program is 36 months.
- **Program Management**: Purchases will be recommended by Metro staff, reviewed by the Program Advisor, and purchase decisions made by the General Manager. Purchases will be made by the King County Finance Division through the Commodities Broker. Duties associated with the

operation of the Program may be delegated to the Advisor with permission of the Executive Finance Committee.

4. **Physical Supply:**

The physical supply of fuel will continue according to the current process of King County. The physical supply will be priced according to a daily floating price determined by the supply contract or any forward fixed price contracts that are in place.

5. **Strategy:**

The Strategy is how the Program's objectives are achieved.

The Strategy will utilize a process:

- That addresses market opportunities and market risks;
- That holds the risk of exceeding budget at or below an acceptable level;
- That uses historical pricing ranges as pricing parameters;
- That is continuous
- That will use dollar cost averaging as a tool
- That mitigates transaction timing risk by making more numerous smaller volume transactions, i.e. 42,000 gallons per transaction.

These things will be accomplished by the Advisor executing/recommending the appropriate transactions at the appropriate times to create the desired effect within the constraints of the Policy.

**Exiting Positions**

Hedge positions will be entered into according to the above Strategy. Positions will be exited evenly throughout time on a daily basis as actual fuel is priced, purchased, and consumed. Exiting the hedge positions evenly through time as fuel is consumed evenly through time is the source of the Program's effectiveness.

Interim trading of positions will not be allowed except in extraordinary circumstances or when the projected consumption of fuel is revised downward such that the hedge position would be greater than the 90% hedge ratio limit. Under normal circumstances, once a hedge position is established, it will be held till maturity.

**External Advisors**

To the extent that Metro Transit employs an external advisor(s) for the purpose of implementing the strategy, such advisor must comply with this Policy.



## **6. Portfolio Adjustments and Investment Techniques**

Metro Transit and the Program Advisor will routinely monitor the portfolio of futures positions in the program and will adjust the program's holdings to meet changes in Metro Transit's circumstances. These changes may include increased or decreased fuel usage, the cost of alternative future fuel contracts, and changes in market conditions. In evaluating the position of the portfolio the following techniques will be used:

- **Economic Analysis**: Purchases of fuel futures contracts will be compared with standard economic forecasts of future prices. If there is a wide divergence between economic forecasts of fuel prices and futures prices, these issues will be explored to ensure that Metro's purchases are consistent with the county's general economic outlook.
- **Changes in basis**: The program will continually evaluate the relationship between spot prices and expiring futures contracts. Should there be a long-term change in these factors which negatively affects Metro Transit's program, program purchases will be adjusted to reduce exposure to these risks.
- **Scenario Analysis**: The program will develop fuel price forecasts for Metro Transit using the futures market with scenarios including both economic forecast and one and two standard deviations around the futures market estimate. Metro Transit will monitor that the net price of fuel falls within the budget forecast. Metro can alter the purchasing strategy to achieve budget targets.

## **7. Liquidity and Safekeeping**

King County will maintain sufficient liquidity at the Commodities Merchant so as to avoid premature sale of futures contract as part of margin requirements.

Safekeeping and custody of futures, and the cash directly supporting such mechanisms, shall follow industry practices including maintenance of accounts at brokerage companies. Notwithstanding this authorization, the Finance Division will seek the highest level of safety available in establishing accounts and procedures to support this program. The Finance Division may establish secure alternatives to broker standards for cash or securities being held in a brokerage account. Alternatives include establishment of escrow and custody accounts, letters of credit by the broker, collateral accounts, third-party agreements, etc.

## **8. Risk Assessment**

Hedges work because cash prices paid by King County and heating oil futures prices are highly correlated, i.e. they tend to move in tandem. Even though the

difference between the cash and futures prices (the “basis”) may widen or narrow as cash and futures prices fluctuate, the risk of an adverse change in this relationship (known as basis risk) is generally much less than the risk of going unhedged.

**9. Performance Measurement, Execution, Monitoring & Reporting:**

- Metro staff will be responsible for the day to day management of the Program including the execution/recommendation of transactions, generating reports on the Program’s status and results, and monitoring the Program and the energy markets. Metro staff will contract with a professional program advisor to provide expert advice on appropriate purchase decisions. The Program Advisor will provide recommendations on transactions consistent with the goals of the policy.
- Metro Staff will generate a weekly update on the status and results of the Program. This will be based on information provided from the commodities merchant and the fuel vendor.
- Metro staff will generate a monthly report regarding the status and results of the Program including an analysis of risk. The program advisor will assist in the preparation and final review of these reports.
- The reports will be distributed to and received by the appropriate individuals at King County.
- Oversight of the Program will be primarily the responsibility of the Oversight Panel at King County. The interim program will be reviewed by staff from the King County Budget Office, the Finance division, and representatives from the Metro budget office, and Vehicle Maintenance. The review will evaluate the consistency of actions with program objectives, the expenses of the program, and the risk reduction afforded by the program. The Program Advisor will provide information and feedback for these reviews.
- Reporting to the Executive Finance Committee on the performance of the Program will occur periodically as the Oversight Panel deems appropriate.
- On a quarterly basis, the net cost of fuel will be compared with the cost of fuel on a spot basis over the same period. The net cost of fuel will include:
  - The cost of fuel as delivered by the fuel supplier
  - Realized gains and losses from the futures program
  - Administrative and trading costs from the futures program

Reporting will also include an analysis of risk and risk adjusted returns and what-if strategies. Program management may adjust the program strategy to reflect changes in the performance of the program.

## **10. Compliance**

- **Safekeeping and Custody:** All security transactions, including collateral for repurchase agreements, entered into by King County shall be conducted on a delivery vs. payment (DVP) basis. Securities will be held by a third party custodian designated by King County and evidenced by safekeeping receipts. Certificates of Deposit (CDs) are exempt from the DVP policy.
- **Internal controls:** The King County Finance Division Treasury Manager (who is a member of the EFC) shall establish a system of internal controls and monitoring procedures. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of Metro Transit, King County, the Financial Advisor, or the Commodities Broker. The Treasury Manager will oversee designated staff who manage the portfolio on a day-to-day basis. The Treasury Manager will establish management controls specific to fuel futures.
- **Audits:** The internal auditors will conduct annual reviews of the futures program. Such audit will focus on verifying previously reported futures information and compliance with policies and procedures and the system of internal control. External auditors may also conduct independent audit review of the investment function.

The State Auditor's Office will conduct an examination of King County's financial affairs no less than once every three years in accordance with RCW 43.09.260. This review will provide internal control by assuring compliance with Generally Accepted Accounting Principals (GAAP). In the past, this examination has occurred annually.

- **Policy adoption:** Changes in the investment policies of the futures program shall be approved by the Executive Finance Committee.

**INVESTMENT PURCHASES SUMMARY  
OCTOBER 2008**

OVERNIGHT REPOS

DEALER	BUYS	TOTAL AMOUNT OF REPOS	AVG DAYS	AVG YIELD
CREDIT SUISSE	22	\$2,766,000,000	1.29	2.21%

AGENCY DISCOUNT NOTES

DEALER	BUYS	TOTAL FACE AMOUNT	TOTAL COST	AVG DAYS	AVG YIELD
BANK OF AMERICA	3	\$ 118,123,000	\$ 117,198,905	125.78	2.29%
CREDIT SUISSE	6	246,750,000	244,338,829	143.59	2.45
DEUTCHEBANK	5	200,000,000	197,207,361	192.97	2.67
MERRILL LYNCH	1	25,000,000	24,813,028	127.00	2.17
SMITH BARNEY	1	50,000,000	49,381,667	159.00	2.87
UBS	4	175,308,000	172,835,549	190.06	2.74
TOTAL	20	\$ 815,181,000	\$ 805,775,338	163.47	2.59%

TREASURY BILLS

DEALER	BUYS	TOTAL FACE AMOUNT	TOTAL COST	AVG DAYS	AVG YIELD
CREDIT SUISSE	2	\$ 100,000,000	\$ 99,050,917	229.50	1.54%

TREASURY NOTES

DEALER	BUYS	TOTAL FACE AMOUNT	TOTAL COST	AVG DAYS	AVG YIELD
CREDIT SUISSE	3	\$ 125,000,000	\$ 127,551,630	462.19	1.51%

CERTIFICATES OF DEPOSIT

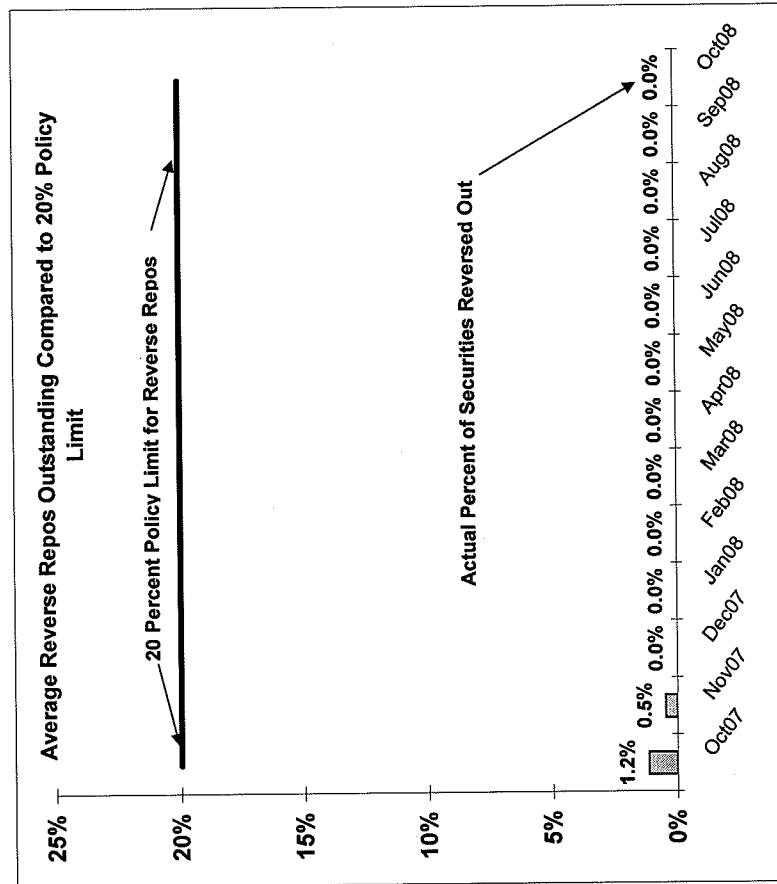
DEALER	BUYS	TOTAL AMOUNT OF CDs	AVG DAYS	AVG YIELD
KEY BANK	8	\$ 1,920,193	94.73	2.03%

AGENCY COUPONS

DEALER	BUYS	TOTAL FACE AMOUNT	TOTAL COST	AVG DAYS	AVG YIELD
CANTOR FITZGERALD	1	\$ 50,000,000	\$ 50,474,667	589.00	3.35%
UBS	1	25,000,000	25,000,000	730.00	3.18
TOTAL	2	\$ 75,000,000	\$ 75,474,667	635.70	3.29%

REVERSE REPO ANALYSIS  
Oct-2008

Reverse	Settlement Date	End Date	Par	Security Detail	Credit Rating	Proceeds	Interest Rate	Proceeds at Maturity
NO NEW ACTIVITY								



# KING COUNTY INVESTMENT POOL

DATE: 12/03/2008

Maturity Range	Amount Invested	Percent of Portfolio	Cumulative Percentag	Average Yield
1 - 29 Days	1,190,784,479	28.8%		2.07%
30 - 59 Days	415,474,204	10.0%	38.8%	2.55%
60 - 89 Days	352,276,410	8.5%	47.4%	2.69%
90 - 119 Days	222,613,542	5.4%	52.7%	2.83%
120 - 149 Days	236,184,804	5.7%	58.5%	2.55%
150 - 179 Days	362,503,302	8.8%	67.2%	2.48%
180 - 364 Days	430,457,299	10.4%	77.6%	2.32%
1 - 2 Years	549,291,150	13.3%	90.9%	3.04%
2 - 3 Years	105,384,040	2.5%	93.5%	5.12%
3 - 4 Years	200,000,000	4.8%	98.3%	5.21%
4 - 5 Years	0	0.0%	98.3%	0.00%
5+ Years	70,635,591	1.7%	100.0%	4.51%
TOTAL	4,135,604,820	100.0%		

Security Type	Amount Invested	Percent Of Portfolio	Limits
Repurchase Agreements	57,000,000	1.4%	40%
Certificates of Deposit	405,686,286	9.8%	20%
State Investment Pool	403,832,304	9.8%	100%
Commercial Paper	0	0.0%	25%
Bankers' Acceptances	0	0.0%	40%
Treasuries	475,329,066	11.5%	100%
Agencies	2,705,786,574	65.4%	75%
Mortgage Backed Securities	70,635,591	1.7%	25%
Municipals	17,335,000	0.4%	20%
TOTAL	4,135,604,820	100.0%	

Average Yield = 2.70%  
Average Days to Maturity = 328.28

**KING COUNTY INVESTMENT POOL**  
**ISSUER DIVERSIFICATION AND CREDIT EXPOSURE**  
10/31/08

			Credit Agency Ratings (1)			Bank Ratings (2)	
	Book Value	% of Portfolio	S&P	Moody's	Fitch	IDC	CAEL <sup>sm</sup>
CDs --7.5% PER ISSUER. IDC RATING: 3 OR BETTER							
Key Bank	137,503,083.02	2.9%	A-1	P-1	F1	1	4
Bank of America	100,000,000.00	2.1%	A-1+ (NW)	P-1	F1+	2	3
U.S. Bank	100,000,000.00	2.1%	A-1+	P-1	F1+	1	2
Homestreet Bank	10,000,000.00	0.2%				.1	4
REPURCHASE AGREEMENTS -- 10% PER ISSUER							
Credit Suisse LLC	30,000,000.00	0.6%	A-1+	P-1	F1+		
INVESTMENT POOLS -- 100% PER ISSUER							
Washington State Treasurer's LGIP	402,324,680.99	8.4%					
U.S. GOVERNMENT (Full Faith & Credit) -- 100% PER ISSUER							
U.S. Treasury Obligations	475,501,779.97	9.9%	AAA	Aaa	AAA		
MUNICIPAL OBLIGATIONS (Taxable) -- 5% PER ISSUER. CREDIT RATING OF AT LEAST "A"							
City of Phoenix, AZ	15,000,000.00	0.3%	AAA	Aa1			
Westchester County, NY	2,335,000.00	0.0%	AAA	Aaa	AA+		
FEDERAL AGENCY OBLIGATIONS (GSEs) -- 50% PER ISSUER							
Federal Home Loan Mortgage Corporation (FHLMC)	1,143,510,839.20	23.8%	AAA	Aaa	AAA		
Federal Home Loan Bank (FHLB)	1,101,942,533.50	23.0%	AAA	Aaa	AAA		
Federal National Mortgage Association (FNMA)	1,059,305,261.52	22.1%	AAA	Aaa	AAA		
Federal Farm Credit Bank (FFCB)	221,203,888.89	4.6%	AAA	Aaa	AAA		
	4,798,627,067.09	100.0%					

(1) The table in the lower-right corner gives the range of investment grade credit ratings.

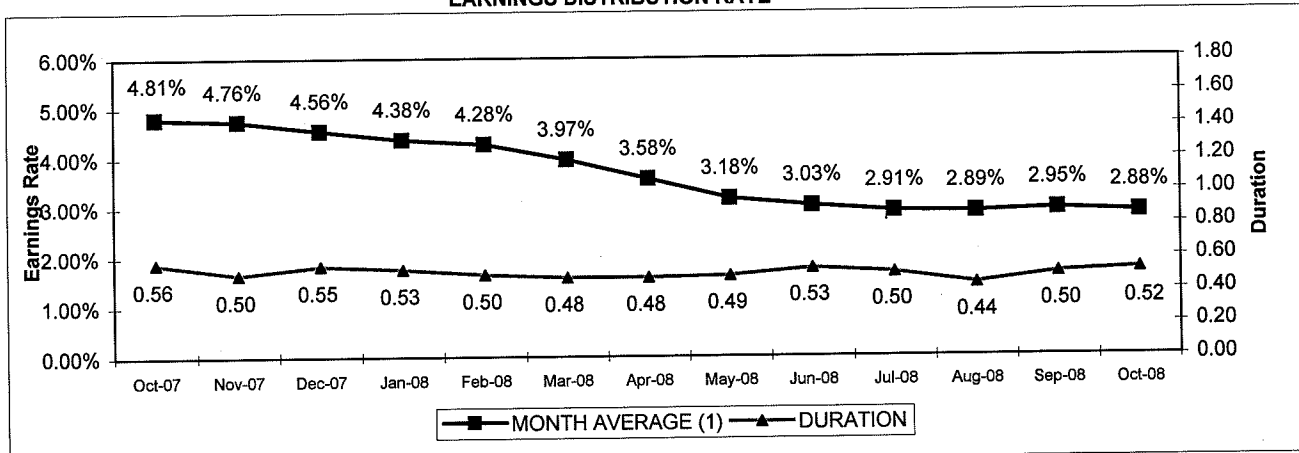
(2) IDC Bank ratings are provided by IDC Financial Publishing:  
1=Superior, 2=Excellent, 3=Average, 4=Below Average, 5=Lowest.  
Safe & Sound CAEL is a bank rating service provided by Bankrate.com: 1=Superior, 2=Sound, 3=Performing, 4=Below Average, 5=Weak.

Note:(NW) equals negative credit watch & (NO) equals negative outlook.

Overview of Rating Agency Credit Scores				
	Short-term Investment Grade		Long-term Investment Grade	
	Highest	Lowest	Highest	Lowest
	S&P A-1+	A-3	AAA	BBB-
Moody's	P-1	P-3	Aaa	Baa3
Fitch	F1+	F3	AAA	BBB-

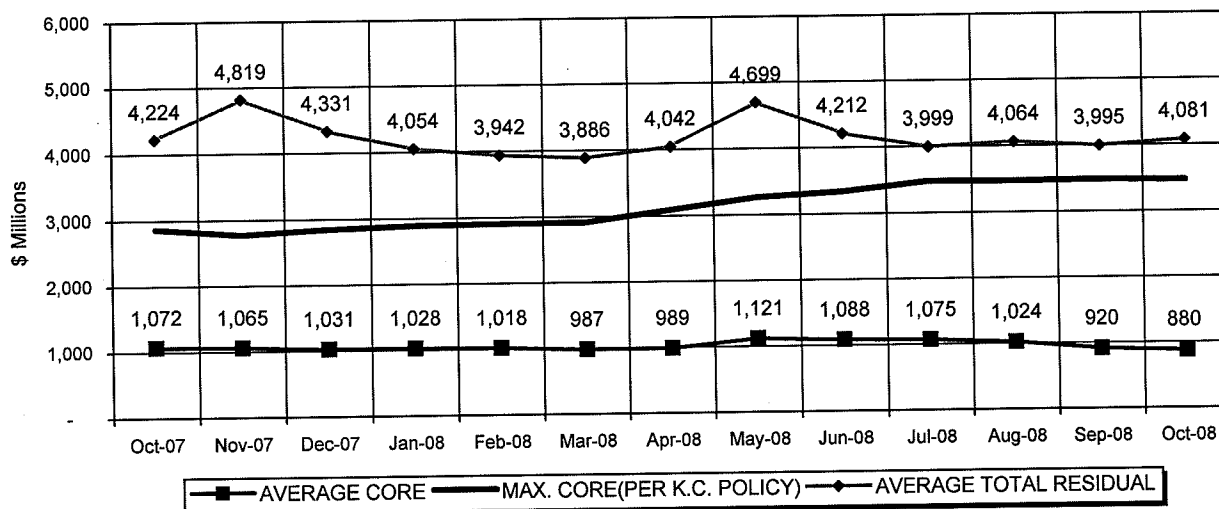
# KING COUNTY INVESTMENT POOL

## EARNINGS DISTRIBUTION RATE



(1) Not adjusted yet for realized losses on commercial paper investments.

## AVERAGE BALANCE



## CX FUND YTD INTEREST EARNINGS

October 31, 2008

	BUDGET (1)	ACTUAL	DIFFERENCE
YTD AVG BALANCE (millions)	\$226	\$219	(\$6.6)
YTD YIELD	3.58%	3.36%	-0.22%
INTEREST DISTRIBUTION (\$)	\$6,738,628	\$6,136,367	(\$602,261)
AUTOMATIC INTEREST (\$)	\$0	\$66,554	\$66,554
<b>TOTAL INTEREST (\$)</b>	<b>\$6,738,628</b>	<b>\$6,202,921</b>	<b>(\$535,707)</b>

## YTD POOL FEE REVENUE

	BUDGET	ACTUAL	DIFFERENCE
POOL FEE DUE TO CX	\$4,720,833	\$4,564,018	(\$156,815)
POOL FEE DUE TO FBOD	\$125,000	\$95,504	(\$29,496)
<b>TOTAL YTD POOL FEES</b>	<b>\$4,845,833</b>	<b>\$4,659,522</b>	<b>(\$186,311)</b>

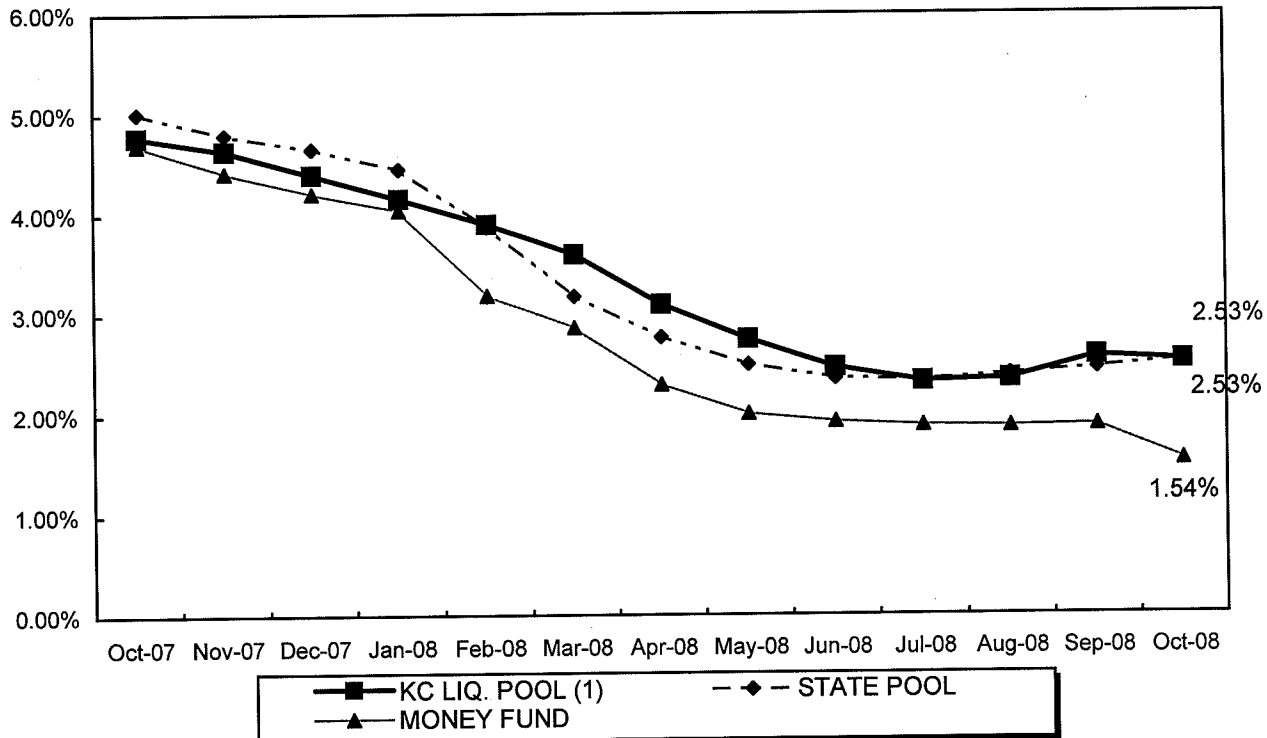
YTD TOTAL POOL DISTRIBUTION \$116,206,973

(1) Average budgeted yield for the entire year is 3.48% (simple average).

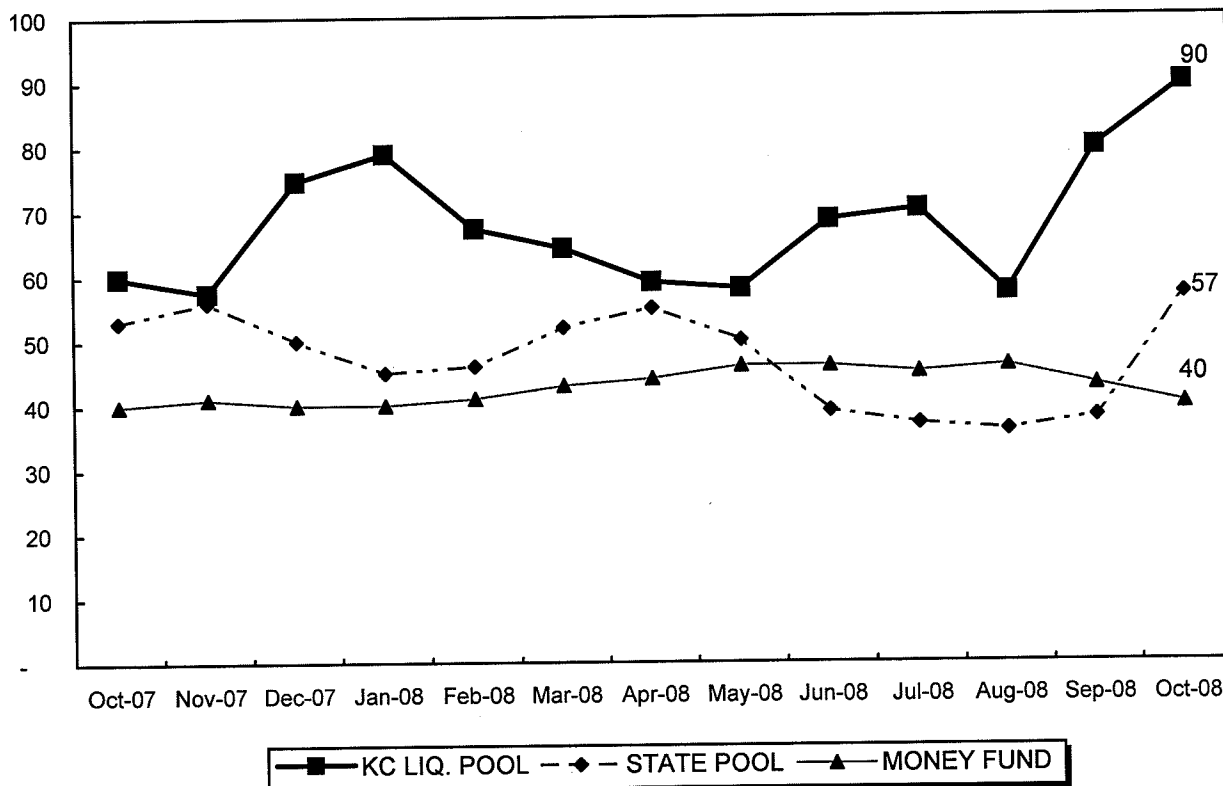


# LIQUIDITY POOL

## COMPARATIVE EARNINGS RATES



## COMPARISON OF AVERAGE DAYS TO MATURITY



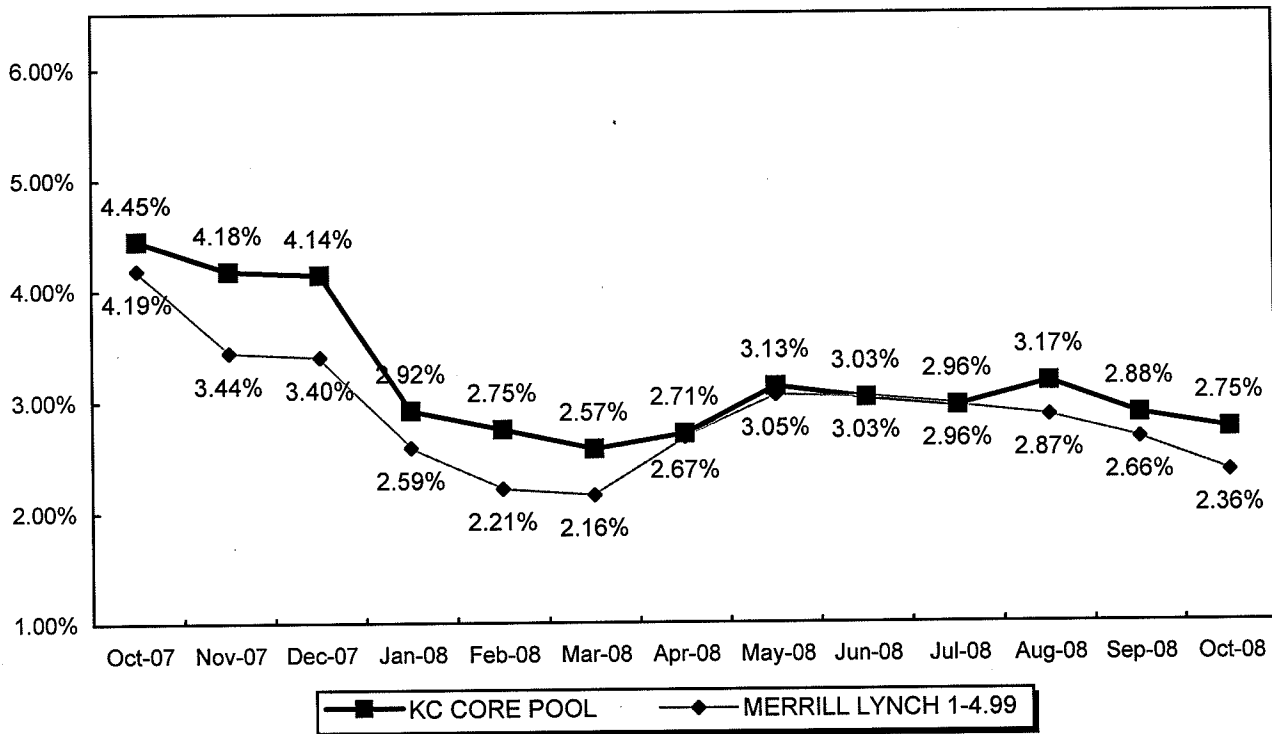
**Sources:**

Money fund data: IBC/Donoghue Money Fund Report Averages seven day money market fund indexes.  
 State Pool data: Monthly State of Washington Local Government Investment Pool report.

"Public Investor".

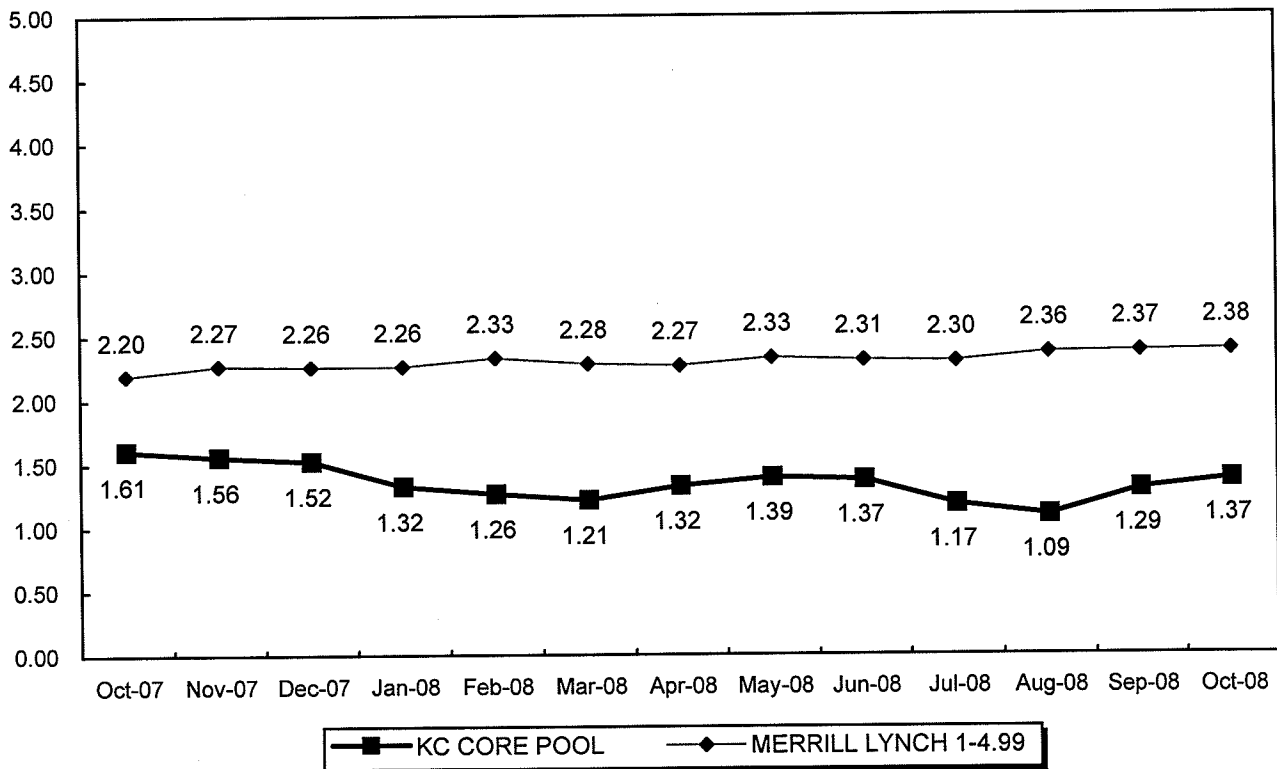
# CORE POOL

## COMPARATIVE MONTHLY MARKET YIELD RETURNS



Core portfolio rate is reported as market yield, not accrual basis, and therefore the liquidity rate and core rate may not equal pool distribution rate.

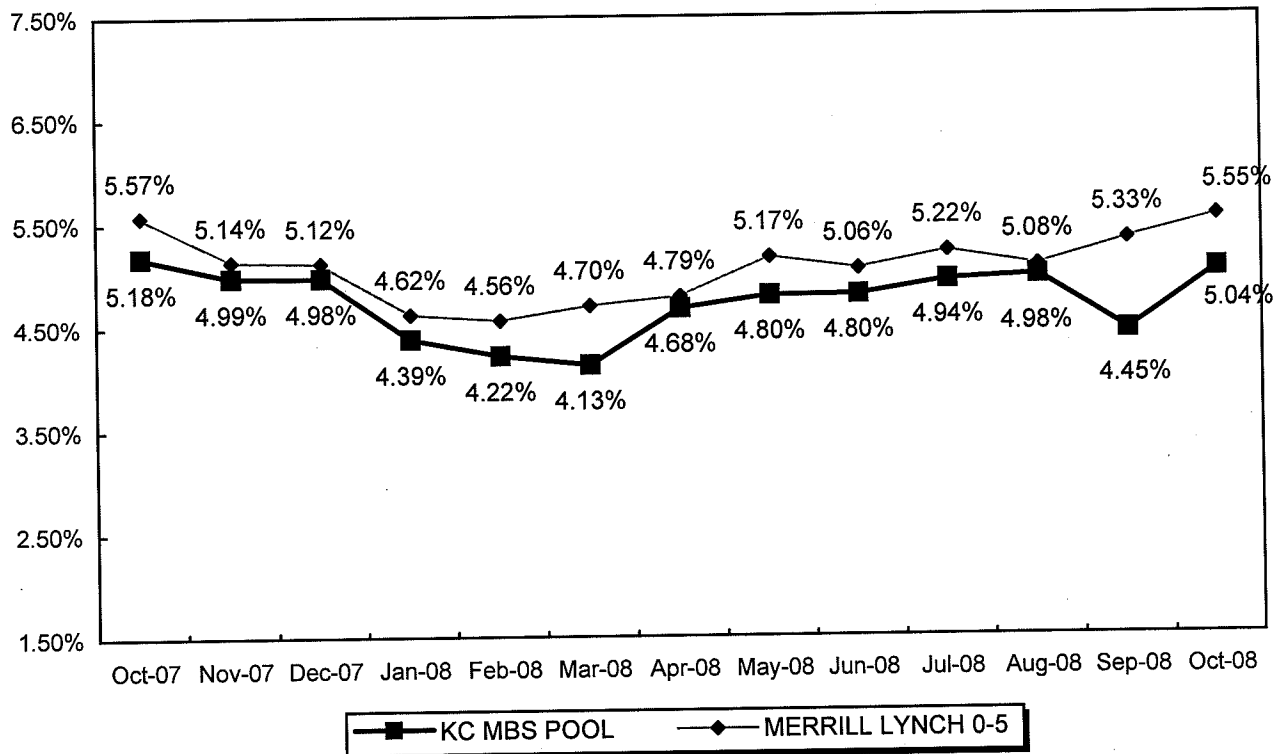
## COMPARISON OF AVERAGE DURATION



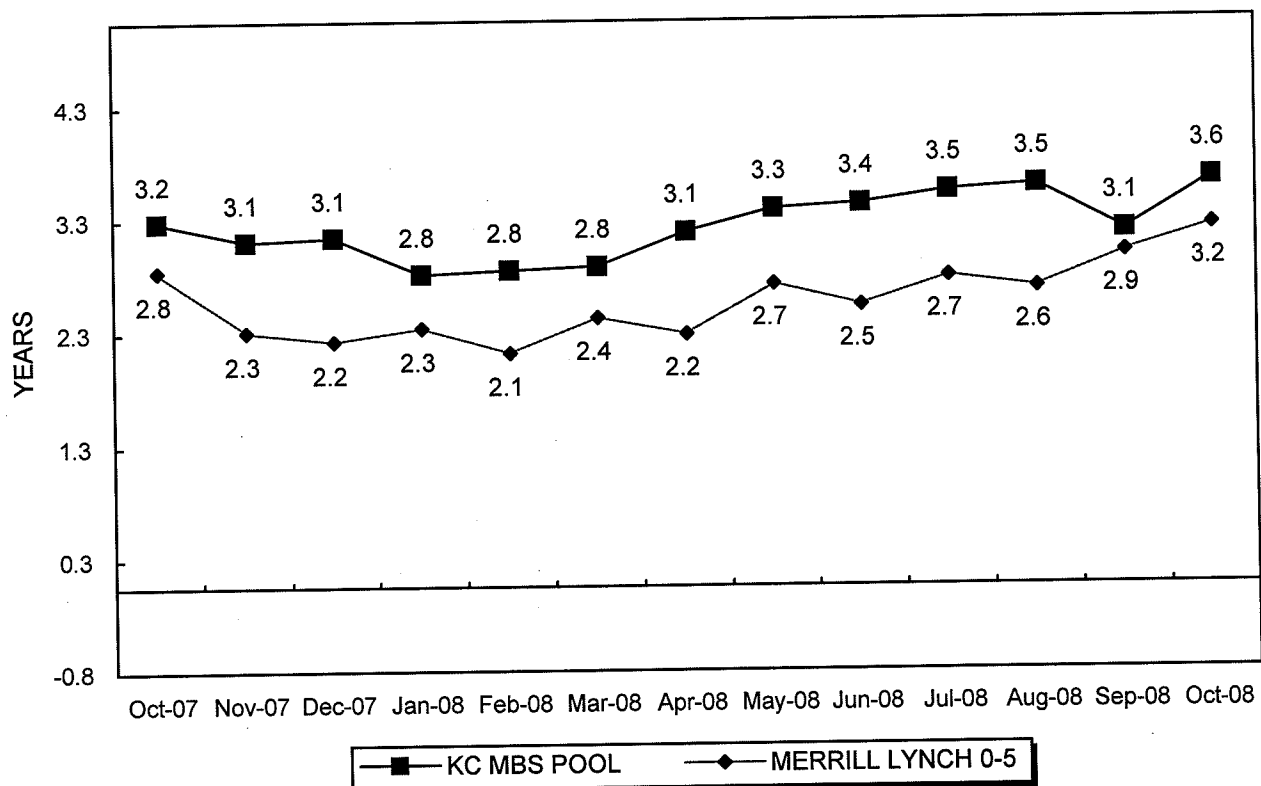
Source: Merrill Lynch index: Bloomberg Financial Markets

# MORTGAGE-BACKED POOL

## COMPARATIVE MONTHLY MARKET YIELD RETURNS



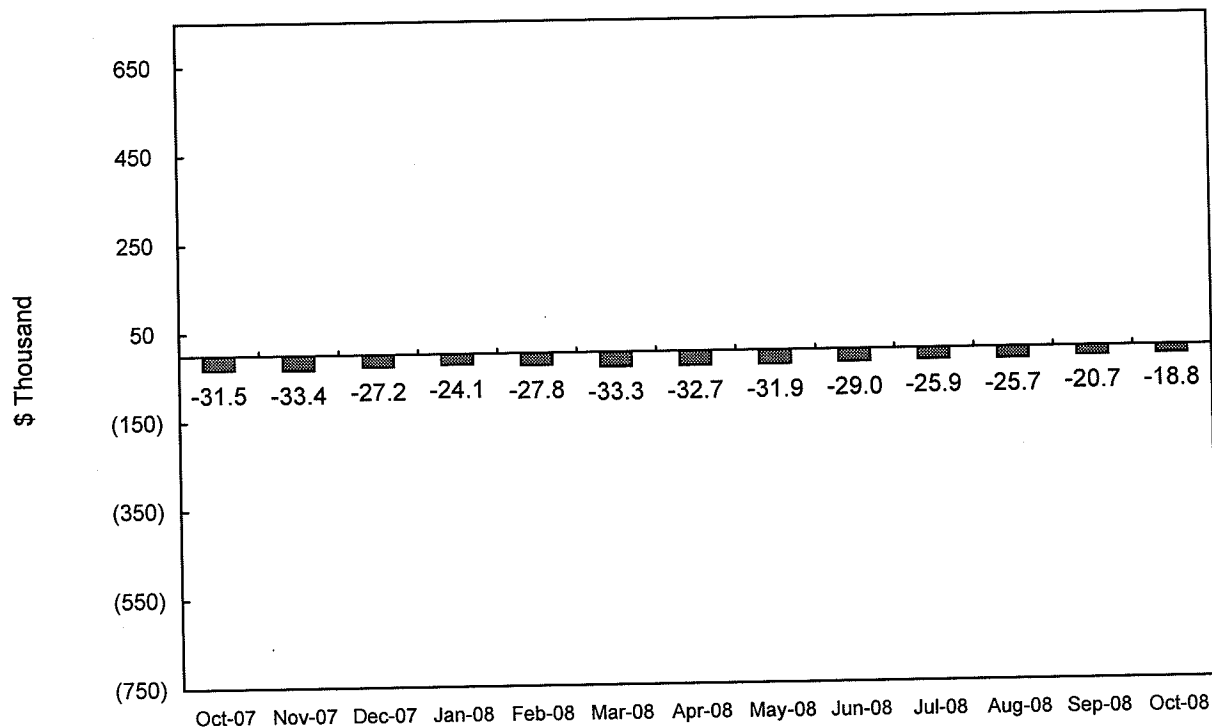
## COMPARISON OF AVERAGE DURATION



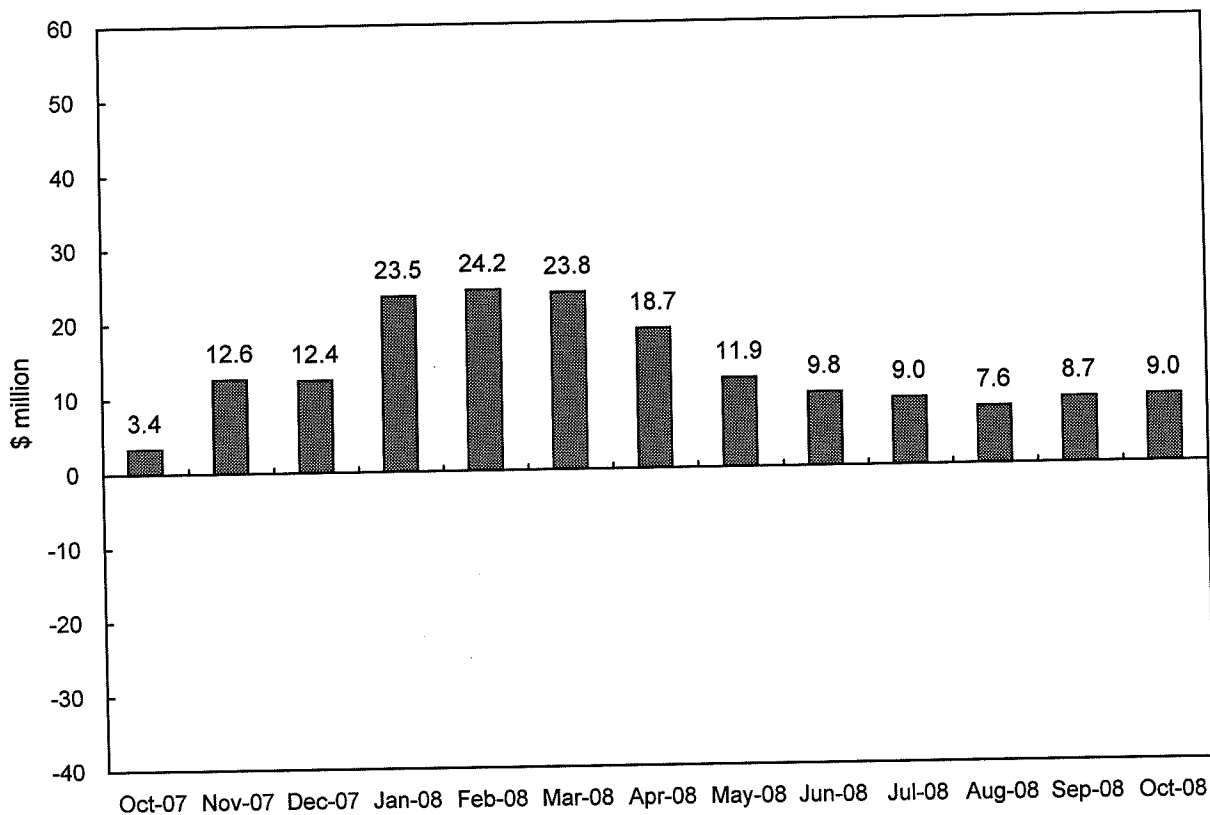
Source: Merrill Lynch index: Bloomberg Financial Markets

# GAIN / LOSS SUMMARY

RESIDUAL FUND: TOTAL REALIZED GAIN OR LOSS (1)



## NET UNREALIZED GAIN OR LOSS (CORE PORTFOLIO ONLY)

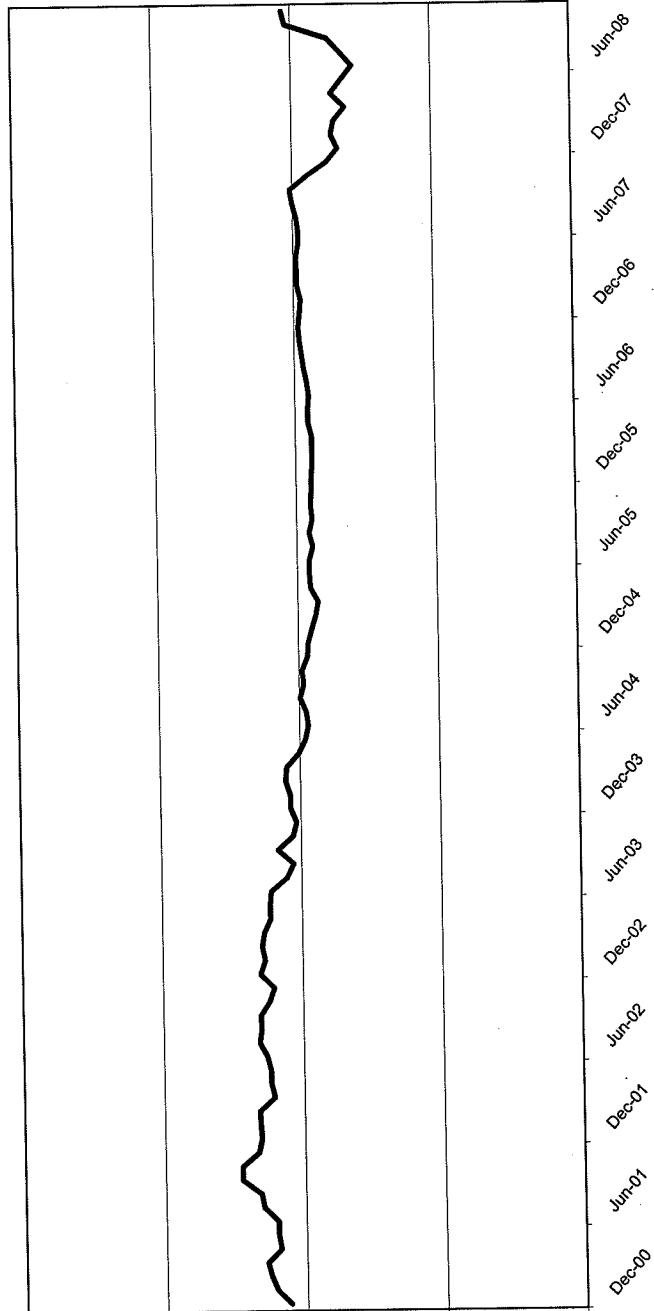


(1) Excludes losses from impaired CP

# King County Investment Pool Fair Value Report

	08/31/08	9/30/2008 (1)	10/31/08
<b>Net Assets</b>			
Net Assets held in trust for pool participants	\$ 4,187,405,132.08	\$ 4,056,790,753.74	\$ 4,829,370,680.08
Net assets consist of:			
Participant units outstanding (\$1.00 par)	\$ 4,242,956,000.69	\$ 4,048,741,571.02	\$ 4,814,251,407.93
Undistributed and unrealized gains(losses)	\$ (55,550,868.61)	\$ 8,049,182.72	\$ 15,119,272.15
<b>Net Assets</b>	<b>\$ 4,187,405,132.08</b>	<b>\$ 4,056,790,753.74</b>	<b>\$ 4,829,370,680.08</b>
<b>Total Pool – Net asset value at fair value price per unit</b>	<b>\$0.9869</b>	<b>\$1.0020</b>	<b>\$1.0031</b>
<b>Pricing Breakdown on Sub Portfolio Basis</b>			
Non-impaired net asset value at fair value price per unit	\$1.0017	N/A	N/A
Impaired net asset value at fair value price per unit	\$0.4294	N/A	N/A

## King County Investment Pool History of Fair Value per Dollar Invested (1)



(1) Impaired securities were separated from main pool on 9/1/08

# Impaired Pool Holdings Report 10/31/2008

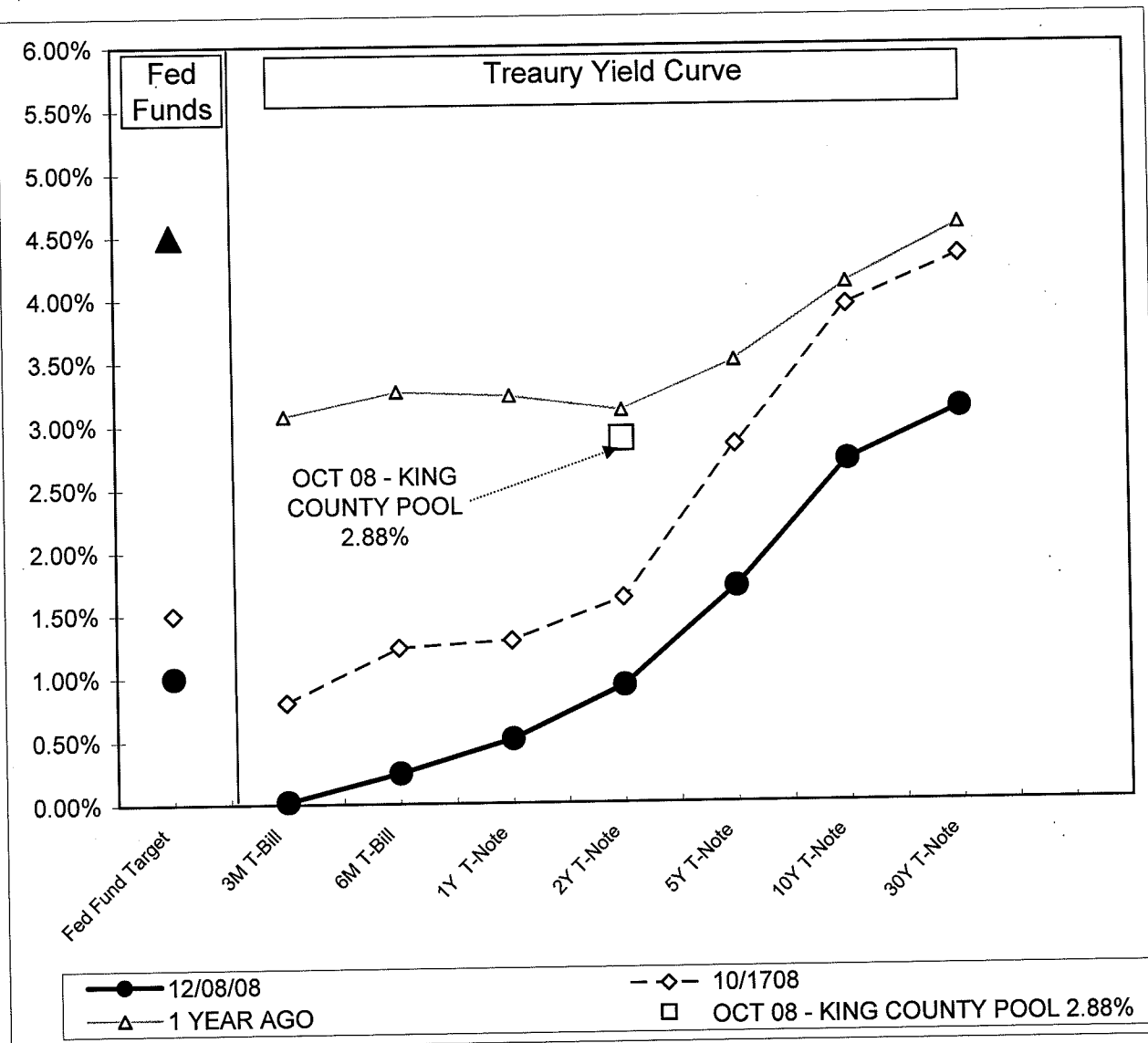
Commercial Paper Issuer	Status	Current Book Value	Estimated Future Cash Recovery	Estimated Future Unrealized Loss
Mainsail II	Restructured	3,022,926.58	782,000.00	2,240,926.58
Cheyne Finance	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge	Restructured	1,885,308.88	1,134,600.00	750,708.89
Victoria Finance (1)	Restructuring In Progress	52,879,463.00	26,704,128.82	26,175,334.19
Total		58,575,200.60	29,128,478.82	29,446,721.80

Fair Value Ratio 0.4973

(1) Victoria Finance restructuring is not complete. Using market price to estimate cash recovery and unrealized loss.

Impaired Pool Realized Loss Report				
	Jul-08	Aug-08	Sep-08	Oct-08
Realized Losses - Impaired Pool	16,472,723.61	18,753,526.26	38,070,657.04	-

# INTEREST RATE SUMMARY



	12/08/08	10/17/08	1 YEAR AGO
Fed Fund Target	1.00%	1.50%	4.50%
3M T-Bill	0.02%	0.80%	3.07%
6M T-Bill	0.24%	1.23%	3.26%
1Y T-Note	0.51%	1.29%	3.23%
2Y T-Note	0.93%	1.62%	3.11%
5Y T-Note	1.71%	2.84%	3.50%
10Y T-Note	2.71%	3.93%	4.11%
30Y T-Note	3.12%	4.33%	4.57%

PACKET PAGE: 12		PAGE 1 RUN 11/17/08	
REPORT ARM650-4		RECAP BY FUND	
		INTEREST ON INTERFUND LOANS	
FUND	AVG BORROWED	AVG LOANED	LOANED
00-000-001-0	21,738,977.63	623,641.12	19,332,874.75
00-000-105-0		18,937.02	587,047.63
00-000-106-0		240,752.91	7,463,340.20
00-000-107-0	801.07	1,139,049.34	35,310,529.55
00-000-120-0		32,065.21	994,021.47
00-000-126-0		4,457,013.97	138,167,433.10
00-000-180-0	2,028,581.37	1,127,283.97	34,945,803.10
00-000-461-0		16,185,715.76	501,757,188.63
18-001-553-0	56,099.24		1,739,076.41
REPORT TOTAL	23,824,459.30	23,824,459.30	738,558,238.43
			58,275.09

INTEREST-PAID		INT-RECEIVED	
53,173.95	1,525.44	CURRENT EXPENSE SUB-FUND	
	46.31	RIVER IMPROVEMENTS	
	588.92	VETERANS RELIEF	
1.96	2,786.14	DEVELOPMENTAL DISABILITY	
	78.37	TREASURERS O & M	
	10,901.94	ALCOHOLISM/SUBSTANCE ABSE	
4,961.96	2,757.35	PUBLIC HEALTH	
	39,590.62	WATER QUALITY OP SUMMARY	
137.22		IBIS PAYROLL CLEARING	
58,275.09			



FUND	DATE	FUND DESCRIPTION	LOWEST CASH	AVERAGE CASH
00-000-103-0	10-06-08	COUNTY ROAD FUND	4,148,244.57-	1,366.49
00-000-117-0	10-10-08	ARTS & CULTURAL DEV FUND	11,516.96-	485,423.85
00-000-121-1	10-06-08	SURFACE WATER MGT FUND	2,185,774.73-	1,094,707.45-
00-000-156-1	10-15-08	KC FLD CNTRL ZNE OPER	1,897,212.94-	1,741,298.34-
00-000-159-1	10-30-08	KC MARINE OPER	457,087.20-	350,306.99-
00-000-215-2	10-01-08	LLEBG 2000LBBX2760 GRANT	525.34-	525.34-
00-000-313-0	10-01-08	CLINIC CONSTRUCTION FD-88	1.19-	1.19-
00-000-316-9	10-01-08	OPEN SPACE ACQ 97 EXCESS	184.80-	184.80-
00-000-319-0	10-01-08	YOUTH SERV DET FAC CONST	.33-	.33-
00-000-327-9	10-01-08	EQPT/BLDG ACQ 91 XCS EARN	36.51-	36.51-
00-000-329-2	10-30-08	SWM CIP NON-BOND SUBFUND	659,052.07-	465,993.94-
00-000-331-0	10-31-08	LONG-TERM LEASES	688,474.49-	845,593.84
00-000-331-1	10-01-08	ARBITRAGE LBLTY FND 3240	.14-	.14-
00-000-331-2	10-01-08	ARBITRAGE LBLTY FND 3250	3.37-	3.37-
00-000-334-3	10-01-08	LAFAYETTE BDG ACQ 1993	.07-	.07-
00-000-334-5	10-01-08	CHLDN THTR/PNW BALLETT1993	.35-	.35-
00-000-334-8	10-01-08	INF SYST XCESS EARN	1,202.89-	1,202.89-
00-000-340-8	10-01-08	PARK LAND ACQ 93B XCSS EA	201.27-	201.27-
00-000-341-6	10-01-08	CULTURAL INIT 97 EXCESS E	121.97-	121.97-
00-000-341-8	10-01-08	ART&HIST PRES 93B XS EARN	396.05-	396.05-
00-000-343-9	10-01-08	GIS EXCESS EARNINGS	604.47-	604.47-
00-000-344-9	10-01-08	Y2K S/W ENHANCE 97 EXCESS	32.99-	32.99-
00-000-352-2	10-29-08	OS KC NON BND FND SUBFUND	2,471,308.00-	2,462,580.49-
00-000-352-3	10-01-08	LTGO BAN REDMPTN 2004B	229.60-	229.60-
00-000-357-1	10-31-08	KC FLD CNTRL ZNE CONST	5,299,943.22-	4,984,755.29-
00-000-361-1	10-31-08	WATER QUALITY CONST-UNRES	47,079,045.25-	12,087,832.70-
00-000-379-3	10-01-08	HMC IMPROV 2000 CNTRBTN	108.46-	9,094.22
00-000-379-4	10-01-08	HMC/MEI 2004 BND PROCEEDS	586.35-	586.35-

POOLED FUNDS WITH NEGATIVE CASH BALANCES

FUND	DATE	FUND DESCRIPTION	LOWEST CASH	AVERAGE CASH
00-000-380-2	10-01-08	BC & I 2001 BAN PROCEEDS	5.74-	5.74-
00-000-380-5	10-24-08	BLDG CONST-IMPRV 03B BAN	199,794.43-	179,005.80
00-000-386-0	10-30-08	COUNTY ROAD CONSTRUCTION	8,917,406.86-	6,331,614.74-
00-000-387-9	10-01-08	HMC CONST 93 XESS EARN	722.23-	722.23-
00-000-395-1	10-23-08	BLDG REPAIR/REPL SUBFUND	26,850,979.68-	19,379,097.48-
00-000-395-7	10-01-08	GENL GOV CIP 97 EXC EARN	752.65-	752.65-
00-000-560-0	10-02-08	PRINTING/GRAPHIC ARTS SRV	1,051,403.50-	1,051,401.95-
00-000-624-5	10-01-08	HIGHLINE SD401 IMPACT FEE	15.81-	15.81-
00-000-892-1	10-01-08	2006AB SWR JR LIEN MULTI-	64,759.29-	7,476.81
00-000-893-8	10-01-08	1996 PAPER SERIES A RDMTN	2,615.43-	2,615.43-

FUND	DATE	FUND DESCRIPTION	LOWEST CASH	AVERAGE CASH
00-000-214-0	10-31-08	GRANTS FUND	2,540,932.23-	1,869,361.01-
00-000-224-0	10-20-08	WORK TRAINING PROGRAM	761,159.34-	584,505.26-
00-000-224-1	10-06-08	DISPLACED WKR PROG ADMIN	564,172.75-	525,351.30-
00-000-246-0	10-31-08	FED HOUSNG & COMM DEV FND	563,820.16-	111,238.90-
00-000-621-0	10-31-08	RESIDUAL INVESTMENTS	4,907,838,684.25-	4,188,810,693.84-
00-000-621-1	10-01-08	NON-POOLED INVESTMENT FND	15,442,572.29-	15,442,572.29-
00-000-677-0	10-01-08	PROPERTY TX SUSPENSE FUND	4,347.87-	6,583.79

FUND	AVG BORROWED	AVG CASH BAL	BORROWED	FUND DESCRIPTION
05-001-001-0	3,158.17	1,980,505.01	97,903.27	PORT-GENERAL FUND
06-210-001-0	53,674.62	70,648,926.91	1,663,913.52	FED WAY SCH GEN REG FUND
06-415-001-0	746.91	68,109,469.25	23,154.42	KENT SCH GENERAL REG FUND
06-417-001-0	3,285.54	145,113,920.66	101,851.95	NORTHSHORE SCH GEN REG FD
07-036-001-0	43.34	1,045,630.15	1,343.55	BELLEVUE GEN TAX REG FUND
07-045-001-0	22.10	145,517.80	685.26	BOTHELL GENERAL TAX REG C
07-095-001-0	128.47	187,528.92	3,982.75	DES MOINES GEN TAX REG C
07-135-001-0	526.29	67,645.78	16,315.25	ENUMCLAW GEN TAX REG C
07-260-001-0	13,863.46	261,626.97	429,767.56	ISSAQUAH GEN TAX REG C
07-305-001-0	100.84	827,295.44	3,126.24	KENT GEN TAX REG C
07-309-001-0	74.80	633,767.97	2,318.83	KIRKLAND GEN TAX REG C
07-366-001-0	18.76	307,882.19	581.60	MERCER ISLAND GN TX REG C
07-515-001-0	231.95	515,862.73	7,190.66	REDMOND GEN TAX REG C
07-520-001-0	55,839.97	441,710.52	1,731,039.27	RENTON GEN TAX REG C
07-545-001-0	487.72	12,130,728.91	15,119.59	SEATTLE GEN TAX REG C
07-548-001-0	47.84	362,608.32	1,483.28	SHORELINE GENERAL TAX
07-551-001-0	17.42	966.00	540.30	SKYKOMISH GEN TAX REG T
07-554-001-0	355.40	163,670.24	11,017.65	SNOQUALMIE GEN TAX REG T
08-205-001-0	3,579.43	2,677.99-	110,962.36	DRAINAGE 5 MAINTENANCE
09-049-001-0	1,026.51	1,599,118.06	31,821.81	WATER 49 MAINTENANCE
09-127-001-0	15.03	641,862.40	466.06	WATER 127 MAINTENANCE
10-061-001-0	1,010.32	320,336.84	31,320.15	VALLEY REGIONAL FIRE AUTH
11-048-001-0	3.70	3,202,861.45	114.72	SKYWAY W/S MAINTENANCE
16-002-001-0	186.68	186.68-	5,787.36	
16-128-001-0	43.83	43.83-	1,358.73	RID 128 ENHANCED
16-131-001-0	10,161.16	10,161.16-	314,995.96	RID 131 ENHANCED
21-000-001-0	3,408.05	185,216,623.12	105,649.55	HMC GENERAL OPERATING FND
79-500-001-0	72.10	72.10-	2,235.10	

FUND	AVG BORROWED	AVG CASH BAL	BORROWED	FUND DESCRIPTION
------	--------------	--------------	----------	------------------

79-600-001-0	33.67	33.67-	1,044.00	
--------------	-------	--------	----------	--

REPORT TOTAL	152,164.21	2,581,926,247.03	4,717,090.75	
--------------	------------	------------------	--------------	--

# Interfund Borrowings (Investment System)

10/31/08

Borrowing Entity	Borrowing Fund Number	Fund Name	Reason For Loan & Repayment Method	Loan Amount Authorized	Fund Balance at Month-end	Average Amount Borrowed	Interest Paid in Current Month	Term of Loan	Loan Rate	Lending Entity	Date of EFC Approval
King County	00-000-3611	Waste Water Construction	To prevent interruption of capital improvement program. Repayment from future revenue bond issue.	\$300,000,000	(\$47,079,045)	\$12,807,833	\$29,604	2/28/2009	Pool Rate	CX/Residual	9/25/2008
King County	00-000-3691	Transfer of Dev Credit Program	Acquire density rights in rural areas. Repayment from future LTGO bond issue or unencumbered Conservation Futures Fund revenues (LTGO bonds never issued).	\$1,500,000	\$815,099	\$0	\$0	2/28/2009	Pool Rate	CX/Residual	2/19/1999
King County	00-000-3951	Building Repair & Replacement Fund	Interim funding to allow the fund to purchase a facility to house the King County Elections Division. Repayment from future bond proceeds.	\$27,000,000	(\$26,817,920)	\$19,379,097	\$47,461	12/31/2008	Pool Rate	CX/Residual	7/24/2008
King County	00-000-5600	Printing/Graphics Arts Fund	Interim funding to allow the fund to recover from slow business cycle. Repayment from future revenues generated from new customers.	Original Loan: \$450,000 Revised Amts.: \$862,000 \$1,075,000 \$1,730,214 \$2,000,000 \$2,200,000	(\$1,051,404)	\$1,051,402	\$2,575	6/30/2005, 9/30/05, 12/31/05, 1/31/06, 3/31/06, 7/31/06, 10/31/06, 1/31/07, 3/31/07, 5/31/07, 6/30/07, 8/31/07, 10/31/07, 12/31/07, 12/31/08, 12/31/08	Pool Rate	CX/Residual	1/27/2005, 6/23/05, 9/22/05, 12/15/05, 1/26/06, 3/24/06, 7/28/06, 10/27/06, 1/29/07, 3/22/07, 5/24/07, 6/28/07, 8/23/07, 10/25/07, 12/16/07, 2/28/08
Road Improvement District	16-127-3010	RID 127	Road improvements. Repayment from taxpayer assessments	\$500,000	\$428	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-128-3010	RID 128	Road improvements. Repayment from taxpayer assessments	\$500,000	(\$44)	\$44	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-129-3010	RID 129	Road improvements. Repayment from taxpayer assessments	\$500,000	\$6,971	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-130-3010	RID 130	Road improvements. Repayment from taxpayer assessments	\$500,000	\$1,392	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-131-3010	RID 131	Road improvements. Repayment from taxpayer assessments	\$500,000	(\$10,161)	\$10,161	\$25	Open	Pool Rate	CX/Residual	6/21/2001
Road Improvement District	16-132-3010	RID 132	Road improvements. Repayment from taxpayer assessments	\$500,000	\$20,122	\$0	\$0	Open	Pool Rate	CX/Residual	6/21/2001

# Interfund Borrowings (Direct Loans)

10/31/08

Borrowing Entity	Borrowing Fund Number	Fund Name	Reason For Loan & Repayment Method	Loan Amount Authorized	Outstanding at Month-end	Fund Balance At Month-end	Interest Paid	Term of Loan	Loan Rate	Lending Entity	Date of EFC Approval
King County	00-000-2140	Miscellaneous Grants Fund	Cash flow. No repayment scheduled	\$700,000	\$300,000	(\$2,540,932)	\$0	Open	0%	CX/Residual	11/26/1975
King County	00-000-3641	Public Transportation Capital Fd	Compensation for delay of property sale. Repayment from property sale.	\$3,500,000	\$3,500,000	\$100,909,583	\$0	4/30/2006, 4/30/2007, 4/30/08, 4/30/09	0%	CX/Residual	4/28/2005, 4/28/2006, 4/26/07, 4/24/08